88-1099

No. 88-109 9

Supreme Court, U.S.
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IN THE
Supreme Court of the United States
OCTOBER TERM, 1988

BV ENGINEERING,
Petitioner,

v.

UNIVERSITY OF CALIFORNIA, LOS ANGELES
(THE REGENTS OF THE UNIVERSITY OF CALIFORNIA),
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

---

RESPONDENT'S BRIEF IN OPPOSITION

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13 pp

QUESTION PRESENTED

Does State sovereign immunity limit private copyright infringement actions against the State to prospective injunctive relief?

LIST OF PARTIES

The petitioner in this Court and the appellant below: BV Engineering. The respondent in this Court and appellee below: University of California, Los Angeles (The Regents of the University of California).

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STATEMENT OF THE CASE

Respondent The Regents of the University of California ("University") is a constitutional agency of the State of California. (California Constitution, Article IX, section 9.)

In 1986, the University's Los Angeles campus, Physics Department, purchased seven software items from petitioner BV Engineering ("BV") for a total cost of $597.09, for use in its electronic design and repair shop. At that time, BV's software catalog and registration cards expressly permitted a purchaser's copying "for your personal use or back-up purposes." The University

made three copies of the software for back-up and Department use and ten copies of the manuals to be read by the electronic shop personnel. Later, a copy of the software and manuals were loaned to a physics professor and his student assistant for evaluation in connection with a new laboratory course of instruction they were developing (DN [1] 13, 15 and 16.)

In a June 1986 letter, BV's counsel characterized the University's activity as unauthorized and a copyright infringement. The University's response: expressed a belief its conduct was authorized; apologized for the apparent "innocent error"; offered to destroy or ship the accused copies to BV; and gave "assurance that no further copies will be made." (DN 13.) BV did not reply or further communicate with the University until its August 1, 1986, service of the complaint filed in this case. The litigation proceeded to cross-motions for summary judgment, after the University *refused* to pay BV's $15,000 (statutory damages and attorney's fees) settlement demand. (DN 8.)

The University's Motion for Summary Judgment asserted four independent grounds: (1) that state sovereign immunity barred the action for monetary damages; (2) that BV's claims did not arise under the federal copyright laws because the University's copying was authorized; (3) that BV's copyrights were not infringed because the University's conduct constituted a fair and permissible use; and (4) that there was no basis for any relief, since BV had not been damaged and the University had ceased the accused conduct. (DN 18.) The opinion of the United States District Court for the Central District of California (reported at *BV Engineering v. UCLA*, 657 F. Supp. 1246 (C.D. Cal. 1987) granted the University's Motion for Summary Judgment on the first

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[1] "DN" means document number from the Docket Sheet in *BV Engineering v. UCLA*, 657 F.Supp. 1246 (C.D. Cal. 1987).

stated ground, based upon *Atascadero State Hospital v. Scanlon*, 473 U.S. 234 (1985). The District Court noted BV did *not* seek injunctive relief. (*BV Engineering* at fn. 2.)

The opinion of the United States Court of Appeals for the Ninth Circuit, affirming the District Court's order (and overturning *Mills Music Inc. v. Arizona*, 591 F.2d 1278 (9th Cir. 1979)), is reported at 858 F.2d 1394 (9th Cir. 1988).

REASONS FOR DENYING THE WRIT

I. THERE ARE NO "SPECIAL OR IMPORTANT" REASONS SUPPORTING THE WRIT

Rule 17 of the United States Supreme Court provides that a writ of certiorari will be granted "only when there are special and important reasons therefore." The only Rule 17 criteria possibly applicable to this case is stated in 17.1(c) favoring writs where "a federal court of appeal has decided an important question of federal law which has not been, but should be settled by this Court . . . ."

While this Court has not specifically addressed the application of state sovereign immunity to private monetary claims under the copyright laws, *all* the federal courts (appellate or district) that have considered the issue, are now in accord; each holds state sovereign immunity bars such private monetary claims.[2] The only

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[2] State sovereign immunity precluded private monetary damage claims under federal copyright law in the following cases: *Wihtol v. Crow*, 309 F.2d 777 (8th Cir. 1962); *Mihalek Corp. v. State of Mich.*, 595 F.Supp. 903 (E.D. Mich. 1984), *aff'd on other gnds* 814 F.2d 290 (6th Cir. 1987), *cert. den.* (1987) 108 S.Ct. 503; *Woelffer v. Happy States of America, Inc.*, 626 F.Supp. 499 (N.D. Ill. 1985); *Cardinal Ind. v. Anderson Parrish Assocs., Inc.* (N.D. Fla. September 6, 1985), No. 83-1038-Civ.-T-13 (unreported), *aff'd without opinion*, 811 F.2d 609 (11th Cir. 1987), *cert. den. sub nom.* (1987),

two federal judicial expressions to the contrary[3] have been abandoned. These two cases were based upon the theory of implied Congressional abrogation, suggested in *Parden v. Terminal Railway of Ala. Docks Dept.*, 377 U.S. 184 (1964) and rejected in *Welch v. Dept. of Highways & Public Transp.*, 483 U.S. —— (1987), 97 L.Ed.2d 389, 107 S.Ct. 2941. As this Court withdrew implied Congressional abrogation and established the requirement for an "unequivocal expression" of Congressional intent to abrogate state sovereign immunity (the "*Atascadero/Welch* test") both circuits abandoned implied abrogation and effectively overturned the prior decisional support for it.[4] Moreover, every judicial decision on whether the 1976 Copyright Act meets the "unequivocal expression" *Atascadero/Welch* test has concluded the statute lacked the requisite clarity of expression.[5] Thus, there is no confusion, uncertainty or important issue of federal law regarding interpretation of the 1976 Copyright Act or the application of state sov-

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108 S.Ct. 88; *Richard Anderson Photography v. Radford University*, 633 F.Supp. 1154 (W.D. Va. 1986) (rejecting *Johnson v. University of Virginia*, 606 F.Supp. 321 (W.D. Va. 1985)) *aff'd Richard Anderson Photography v. Brown*, 852 F.2d 114 (4th Cir. 1988) *cert. pending*, No. 88-651; and *Lane v. First Nat. Bank of Boston*, 687 F.Supp. 11 (D.C. Mass. 1988), *appeal pending* (1st Cir. 1988) No. 88-1815.

[3] *Mills Music, Inc. v. Arizona*, 591 F.2d 1278 (9th Cir. 1979); and its progeny *Johnson v. University of Virginia*, 606 F.Supp. 321 (W.D. Va. 1985).

[4] The *Mills Music* decision was overturned by the 9th Circuit decision in this case, *see* 858 F.2d at 1397-1398, fn. 1; and, Judge Michael's decision in *Johnson* (relying upon *Mills Music*) was subsequently rejected by Judge Kiser in *Richard Anderson Photography v. Radford University*, 633 F.Supp. 1154 (W.D. Va. 1986) (relying upon *Atascadero State Hospital v. Scanlon*, 473 U.S. 234 (1985). Judge Kiser's opinion was subsequently affirmed *Richardson Anderson Photography v. Brown*, 852 F.2d 114 (4th Cir. 1988) *cert. pending*, No. 88-651.

[5] See cases cited in footnote number 2, sans the *Wihtol v. Crow* 1962 decision.

ereign immunity meriting the attention of this Court, unless the Court wishes to change its ruling in *Atascadero* and *Welch*.

II. EXISTING INJUNCTIVE RELIEF PROVIDES AN ADEQUATE REMEDY FOR COPYRIGHT OWNERS

Without citation to any instance of State copyright abuse, BV argues that prospective injunctive relief is inadequate and that private monetary awards must be available to protect private copyright owners. BV then reasons that since Congress gave the federal judiciary exclusive jurisdiction over copyright infringements, our state sovereignty and federalism must (by implication or necessity) be abandoned in order to protect those private copyright owner's monetary interests.

BV's argument is contrary to this Court's jurisprudence. This Court has repeatedly distinguished its effort to vindicate federal supremacy from private monetary compensation. As expressed by Chief Justice Rehnquist in *Green v. Mansour*, 474 U.S. 64 at p. 68 (1985):

> Both prospective and retrospective relief implicate Eleventh Amendment concerns, but the availability of prospective relief of the sort awarded in Ex parte Young gives life to the Supremacy Clause. Remedies designed to end a continuing violation of federal law are necessary to vindicate the federal interest in assuring the supremacy of that law. . . . But compensatory or deterrence interests are insufficient to overcome the dictates of the Eleventh Amendment. . . .

And, as Justice Powell noted in the *Welch*:

> The dissents statement that sovereign immunity "protect[s] the States from the consequences of their illegal conduct" erroneously suggests that aggrieved individuals are left with no remedy for harmful state actions. Relief often may be obtained through suits against state officials rather than the State itself, or through injunctive or other prospective

> remedies. . . . That States are not liable in other circumstances is a necessary consequence of their role in a system of dual sovereignties. Although the dissent denies that sovereign immunity is " 'required by the structure of the federal system,' " . . . the principle has been deeply embedded in our federal system from its inception." (*Welch v. Dept. of Highways & Public Transp.*, 483 U.S. —— (1987), 97 L.Ed.2d 389, 405-406, 107 S.Ct. 2941.)

As noted, BV did *not* seek an injunction or monetary relief against any state official, rather it sought solely a monetary claim against the University (*BV Engineering* at p. 1250, fn. 2). Indeed, since all the accused copies were tendered to BV along with the University's commitment precluding any future reproduction, BV suffered no *actual* damages and the *only* monetary claim available to BV would be statutory damages. A prospective injunction against officials acting under color of state authority would afford an adequate and appropriate remedy for BV's claim of copyright infringement.

Moreover, the Congressional grant of exclusive jurisdiction to the federal judiciary merely provides what was always a recognized possibility. State sovereign immunity begins with the State's immunity from suit in its own courts. State sovereign immunity from monetary claims in federal court has never been conditioned upon a waiver of State sovereign immunity in state courts. In granting the federal judiciary exclusive jurisdiction, Congress did no more than what the States have always been able to do—that is, preclude a State forum for monetary claims. If Congress wishes to permit private monetary claims against the State for copyright infringement, it can do so by granting concurrent jurisdiction to state courts. By merely granting exclusive jurisdiction to the federal judiciary, Congress has not "unequivocally expressed" an intention to abrogate the State's constitutionally protected sovereign immunity, nor has it denied

a diligent BV an adequate means to prospectively protect its copyrights.

Substantive federal copyright law applies to the University's conduct. There is *no* issue or question raised over that application. The supremacy provision of the United States Constitution (Article VI, section 2) mandates the application of federal substantive law to the prospective conduct of the University. However, the principle of federal supremacy does *not* necessitate abandonment of the federal republic or abrogation of State sovereign immunity from private monetary claims. Such an abrogation would change the State from sovereign to subject, contrary to our principles of federalism.

III. THE 1976 COPYRIGHT ACT DOES NOT MEET THE ATASCADERO/WELCH TEST

BV also argues the 1976 Copyright Act meets the "unequivocal expression" *Atascadero/Welch* test. In response, the University incorporates and relies upon the Ninth Circuit analysis (below), and the Fourth Circuit analysis in *Richard Anderson Photography*. There is no equivocation in the statutory analysis offered by those opinions. The 1976 Copyright Act simply does not unequivocally express or clearly articulate a congressional intention to abrogate State sovereign immunity from private monetary claims for copyright infringement.

Moreover, the context of the 1976 Copyright Act does not support BV's contention. At the time Congress considered that Act, the sole appellate court opinion on the issue was the Eighth Circuit's *Wihtol v. Crow*, 309 F.2d 777 (8th Cir. 1962) decision, holding the Eleventh Amendment barred the copyright infringement suit against the State (under the 1909 Copyright Act). BV's argument that Congress "unequivocally expressed" its intention to abrogate state sovereign immunity is without merit absent *any* Congressional reference to the sole fed-

eral appellate adjudication on the issue, which was to the contrary. BV's argument turns the *Atascadero/Welch* test inside out, and would require an unequivocal expression if Congress intended *not* to affect the state's sovereignty. It would give rise to a presumed inference *against* our federalism, if not signal its demise.

CONCLUSION

BV's argument that state sovereign immunity denies redress for private copyright owners overstates its case and fails to acknowledge the adequacy of prospective injunctive relief. Congress's provision of federal judiciary exclusive jurisdiction for copyright matters does not reflect (by implication or necessity) an "unequivocal expression" to abrogate state sovereign immunity. Congress merely closed the State court's door on a matter otherwise committed to the State's discretion. Abrogation of the State's constitutionally protected immunity in federal court (principled in our federalism) requires a clearer expression of intent. And, both the context and content of the 1976 Copyright Act do *not* demonstrate such an articulated intent.

The Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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Columbia Pictures Industries, Inc., MGM/UA Communications Co., Orion Pictures Corporation, Paramount Pictures Corporation; Tri-Star Pictures, Inc.; Twentieth Century Fox Film Corporation; Universal City Studios, Inc.; The Walt Disney Company; and Warner Bros. Inc. hereby respectfully move

for leave to file the attached brief amicus curiae in this case. The consent of the attorney for the petitioner has been obtained. The consent of the attorney for the respondent was requested but refused.

The interest of the amici in this case arise from the determination by the court below that copyright holders are barred under the Eleventh Amendment from suing states or state agencies for copyright infringement under Title 17 U.S.C. The amici and companies affiliated with the amici are owners of much larger amounts of copyright material than the petitioner. These copyrighted motion pictures very commonly come into the hands of states and state agencies. The amici thus have a very large financial interest in the outcome of this cause, which in some cases may affect the existence of their enterprises. They desire to bring to the attention of the Court information as to the public importance of the question presented, which may assist the Court in determining whether to grant this petition for certiorari.

Respectfully submitted.

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LIST OF PARENT COMPANIES, SUBSIDIARIES OTHER THAN WHOLLY-OWNED SUBSIDIARIES, AND AFFILIATES OF AMICI

The corporate affiliates of the amici are as follows:

1. Columbia Pictures Industries, Inc., a wholly-owned subsidiary of Columbia Pictures Entertainment, Inc., a publicly owned corporation.
2. MGM/UA Communications Co., a publicly owned corporation.
3. Orion Pictures Corporation.
4. Paramount Pictures Corporation, a wholly-owned subsidiary of Gulf-Western Inc., a publicly owned corporation.
5. Tri-Star Pictures, Inc., a wholly-owned subsidiary of Columbia Pictures Entertainment, Inc.
6. Twentieth Century Fox Film Corporation, a wholly-owned subsidiary of Fox, Inc., a publicly held corporation.
7. Universal City Studios, Inc., a wholly-owned subsidiary of MCA, Inc., a publicly held corporation.
8. The Walt Disney Company.
9. Warner Bros. Inc., a wholly-owned subsidiary of Warner Communications, Inc., a publicly held corporation.

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QUESTION PRESENTED

Does the Eleventh Amendment bar copyright owners from suing in federal court for the recovery of damages against states who infringe their copyrights, even though Congress

has made the federal courts the exclusive forum for actions under the Copyright Act of 1976 (17 U.S.C. §§ 101-810 and 28 U.S.C. § 1338(a))?

RULE 28.1 LIST

The affiliated parties required to be enumerated under Rule 28.1 are listed in connection with the motion attached to this brief.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Ninth Circuit, affirming the District Court's Order granting summary judgment and barring BV Engineering's damage action for copyright infringement against the University of California, Los Angeles (UCLA), an instrumentality of the State of California, is reported at 858 F.2d 1394 (9th Cir. 1988) and is reprinted at pages A1 through A13 of the Appendix to Petitioner's brief. The opinion of the United States District Court for the Central District of California granting summary judgment for UCLA is reported at 657 F. Supp. 1246 and is reprinted at pages A14 through A23 of the Appendix to Petitioner's brief.

JURISDICTION

The judgment of the United States Court of Appeals for the Ninth Circuit was entered on October 3, 1988. The petitioner has invoked jurisdiction pursuant to 28 U.S.C. § 1254(1). This Court has authority to accept amicus briefs pursuant to its Rule 36.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

This case involves article I, section 8, clause 8 (the "Copyright and Patent Clause") and the Eleventh Amendment of the Constitution of the United States.

This case also involves sections 501(a) and (b) and 504(a) of the Copyright Act of 1976 (17 U.S.C. §§ 501(a) and (b), 504(a)), granting copyright owners a damage remedy against "anyone" who infringes a copyright, section 1338(a) of title 28, which provides that the federal district courts shall have

exclusive jurisdiction in copyright cases, and section 301(a) of title 17, which preempts state law causes of action that might allow aggrieved copyright owners to obtain damages in state court. Finally it involves sections 601(b)(3), 602(a)(1), 110(2), 110(6), 110(8), 111(a)(2), 111(a)(4), 112(b), 112(c), 112(d) and 118(d)(3) of title 17, the Copyright Act of 1976, and former section 601(b)(3) of that title, all of which exhibit Congress' intent to subject the states to suit for copyright infringement under most conditions.

STATEMENT OF THE CASE

The facts are fully described in the petition for certiorari and since this amicus brief is focused on the public importance of the questions presented, we state the facts only briefly to avoid duplication. The substance of the matter is that the Ninth Circuit Court of Appeals has held that an engineering company which provided copyrighted materials to a state university is barred under the Eleventh Amendment from proceeding for damages against the state, which admittedly has infringed the copyright by making and using unauthorized copies.

The "public importance" facts of this dispute are set forth in the brief following.

REASONS FOR GRANTING THE WRIT

This is an important question of federal law which has not been, but should be, settled by this Court, and this case thus meets the standards of Rule 17 of this Court governing review on certiorari.

The taking and using of copyrighted materials without paying for them is an invasion of rights and a criminal violation, in most instances. *See Dowling v. United States,* 473 U.S. 207, 105 S. Ct. 3127, 87 L. Ed. 2d 152 (1985). The question is whether the Eleventh Amendment immunizes states and state public bodies and instrumentalities from responsibility for this type of conduct.

A decision foreclosing copyright enforcement against states from the country's largest circuit is important enough, but in

addition there is a similar decision from the Fourth Circuit Court of Appeals, *Richard Anderson Photography v. Brown* [No. 88-651], 852 F.2d 114 (4th Cir. 1988). Those circuits have concluded that insulation from liability for copyright infringement was mandated by a decision of this Court, *Atascadero State Hospital v. Scanlon,* 473 U.S. 234, 105 S. Ct. 3142, 87 L. Ed. 2d 171 (1985).[1] On the merits, we do not believe that this Court in *Atascadero* meant to go so far.

The Fourth and Ninth Circuit decisions are by no means restricted in practical effect to the particular institutions involved. State agencies are now using the Eleventh Amendment to nullify the copyright laws. For very concrete illustration, *see* opinion of Attorney General of North Carolina, March 16, 1987, resting explicitly on cases now before this Court and concluding that in the light of the sovereign immunity holdings, "showing of video tapes to prison inmates would not subject the state to liability under the Federal Copyright laws, 17 U.S.C. § 106, *et seq.*"

Additionally, for example, correctional institutions in Kansas, West Virginia, Idaho, Utah, Delaware, North Carolina and Rhode Island are refusing to pay for films they use.[2]

Certiorari should be granted because of the public importance of the question presented, demonstrated by the number of amici from other industries allowed below. The amici allowed in the Ninth Circuit were the National Music Publishers' Association, Inc., American Society of Composers, Authors and Publishers, Broadcast Music, Inc., Music Publishers' Association of the United States, Inc., Song Writers Guild of America, Association of American Publishers, Inc., Association of American University Presses, Inc., Information

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[1] This required the Ninth Circuit to reverse its own earlier ruling, *Mills Music, Inc. v. Arizona,* 591 F.2d 1278 (9th Cir. 1979).

[2] Memorandum, Films Incorporated, Jan. 11, 1989. Specific enforcement problems with a county college, a California hospital association, and with the Minnesota Department of Human Services were also described in Copyright Liability of States and the Eleventh Amendment, A Report of the Register of Copyrights, June 1988 at pp. 7-9.

Industry Association, ADAPSO, the Computer Software and Services Industry Association, Inc., American Intellectual Property Law Association, as well as the amici on this brief, which in itself is some demonstration of the magnitude of the problem.

I. The Interest Of These Amici: Economically Important Questions.

The Eleventh Amendment does not nullify the Copyright Act as a matter of law. But as interpreted by the Ninth Circuit, it renders copyright protection illusory as a matter of fact for several industries intended by Congress to be within the scope of such protection.

The amici are significant producers and distributors of copyrighted motion pictures. Their motion pictures are usually released to the public first through movie theatres. But after their initial theatrical distribution, a significant part of each film's value is derived from the nontheatrical and public market. The revenues flow to this very high cost industry first, from the licensing of showing of feature pictures, and second, and more recently, by the production and distribution of video cassettes. The legal pedestal on which the revenues from both rest is copyright.

First a word as to the scope of the state public market: [3]

[3] Figures supplied by Films Inc., a major supplier of motion pictures for nontheatrical performance.

State Colleges: 2,066
State College Students: 4.8 million
Approximate Number of State Related Prisons: 1,552
Total Number of Inmates: 679,000
Hospitals
Total Beds in State Hospitals: 1.005 million
Libraries
Number of State Related Libraries: 95,144
Average Number of Cardholders at Libraries: 10,000

This total public market is at jeopardy under the decision sought to be reviewed. For example, the Waterbury, Connecticut Public Library is part of a state system. It purchases cassettes of feature films from Baker and Taylor, a legitimate wholesaler of video cassettes manufactured under the authority of the amici. In November 1987, 1,455 video cassettes were loaned to library users in the same fashion as books. Lending cassettes is a common practice among the larger libraries of the state. Baker and Taylor advises that libraries and schools now are spending $41 million a year on entertainment video cassettes and video equipment and related products, with 30% of those libraries charging for lending cassettes. The market for the sale of legitimate video cassettes to libraries and other state institutions may be destroyed if states are immune from suit for copyright infringement.

Two of the major American nontheatrical performance licensors are Swank Motion Pictures and Films Inc. Swank derives three-fourths of its revenues from licenses with state operated and state supported institutions. It estimates its annual losses from unauthorized use of entertainment films if copyright fees are no longer collectible from state institutions at $4.6 million. Films Inc. derives revenues of approximately $3.3 million from state colleges; $1.3 million from state universities; $1.1 million from over 1,500 state correctional facilities nationwide; $1.0 million from state libraries; and $400,000 from state hospitals. If states are shielded by the Eleventh Amendment, these markets would likely be lost to infringing duplication, distribution and performances.

Piracy of motion pictures, even now, with best efforts at copyright enforcement, amounts to some $110 million a year for home videos.[4] The amici's trade association maintains an anti-piracy office which nationally deals with tens of thousand of pirated copies a year. The industry seeks to assure copyright law enforcement to control this evil, and has brought or assisted the federal government in filing over 200 cases in 1988. The amici budget to fight motion picture piracy for 1988 was approximately $2.5 million, exclusive of counsel fees.[5] States' payment of license fees for the use of copyrighted works in this market demonstrates that these entities believed themselves subject to suit under the copyright act. The courts have confirmed this belief.

Columbia Pictures v. Wisconsin Dept. of Health & Social Services held that public bodies may not, without violation of copyright, perform rented or purchased cassettes for large groups in prisons, E.D. Wis. Civ. Action No. 23-C-1496R. In *Encyclopaedia Britannica Educational Corp. v. Crooks,* 542 F. Supp. 1156 (W.D.N.Y. 1982), the court held that the Board of Cooperative & Educational Services, a state-related agency in Erie County, New York, was in violation of the copyright law in making large-scale, off-air video tape reproductions of copyright works.

Even after this Court decided *Sony Corp. v. Universal City Studios, Inc.,* 464 U.S. 417, 104 S. Ct. 774, 78 L. Ed. 2d 574 (1984), the Attorney General of California issued an opinion to state agencies that the performance of prerecorded purchased or rented video cassettes of copyrighted motion pictures would be an infringement of the copyright. *See* A.G. Cal. 86-801, January 21, 1988. This flowed from an earlier California Attorney General's opinion, 81-503 (1982), that

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[4] Motion Picture Association of America, Inc. Annual Anti-Piracy Survey (1988).

[5] *Id.* The budget will dramatically escalate if cease and desist demand letters are no longer effective at least 50% of the time, as has been the case before the Ninth Circuit decision.

unauthorized showing of video cassette tapes in prisons is a copyright infringement.

This is all waste learning if correctional institutions, hopefully not repeating the sins of some inmates, can take and not pay; and yet in the light of the decision below and the Fourth Circuit case, this is, as we have enumerated specifically, precisely what is happening.

The decision below, in substance, is legalized piracy by public agencies. Many if not most of the sub-distributors of films and videotapes would be forced out of business if states could refuse to meet their copyright commitments with impunity. The amici would suffer the loss of millions of dollars. Colleges could obtain a single print of a major film, even illegitimately, show it in campus theatres, rent copies to students and sell video cassettes in the campus bookstore, without paying a cent to those who incurred the cost of production or initial purchase. A state university's central purchasing department could obtain a film or series, and distribute it to countless campuses, free of royalties or licensing fees.

These hazards are not visionary nor bad dreams. The "public piracy" practice encouraged by this and the Fourth Circuit decision is spreading rapidly already. The consequences extend beyond entertainment, to educational and training films as well. Sales of educational audiovisual materials to schools and libraries alone approached $100 million in 1987. [6] Not only are films used at all educational levels, from grade schools through universities, but they are also an essential training device at hospitals, law enforcement agencies, prisons, health agencies, tourism bureaus, and large numbers of other state institutions. Permitting state entities to obtain pirated films, to show and lend them, to copy and sell them, at no charge and keeping all profits, could, in all sobriety, be the death of this industry.

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[6] Association for Information Media and Equipment ("AIME"), Statistical Survey, 1987. AIME members represent approximately 75% of such sales. A recent AIME membership survey estimates annual losses due to copyright infringement by schools and libraries to be in excess of $13,000,000.

Users are losers, too, and the refusal of shortsighted state agencies to take product without paying for it may well dry up their own sources as well. Producers or distributors doing so for nothing will doubtless stop producing or distributing. Whether teaching surgical techniques or parenting skills, reading readiness or police-community relations, the loss of educational films as a training tool will have widespread public impact. With thousands of public purchasers, we cannot rely on the market righting itself and integrity being reinstated as a necessity to get product; and, in the interim, the educational film industry may be destroyed. [7]

II. The Decision Affects Other Industries On A Similar Scale.

Just as the use of video cassettes is extensive in schools and other state agencies, the use of copyrighted computer software is also abundant, educating students and state employees, and helping to run state agencies. If educational institutions could freely obtain, copy and disseminate computer programs without charge and with impunity, software engineers and programmers would suffer enormous financial setbacks.

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[7] Marketing decisions cannot be made without some constant factors. One of those factors must be legal standards applicable to all buyers, or the entire market may well be lost. Those not bound by common rules (to whom sales cannot profitably be made) can buy from and resell to those who are bound, undercutting the seller. To overcome the problem, the seller would have to contractually require its legally restricted buyers not to resell to non-restricted others. Enforcement of such contractual terms by terminating sales even to its own buyers would further reduce its market, perhaps below break-even production. *See* Judge Richard Posner, *Economic Analysis of Law* at 66-67 (2d ed. Little, Brown 1977):

> The individual who regularly failed to perform his side of bargains would find it difficult to find anyone willing to enter into exchanges with him — a costly penalty — except perhaps upon deposit of adequate security — also a costly penalty . . . Such a system would not be very efficient. . . .

The economic costs and tribulations of forcing uniform compliance with copyright laws through the market, rather than the law, are high, and ought not be imposed.

The impact of the Ninth Circuit decision on the textbook publishing industry is even more overwhelming. There is little market for copyrighted textbooks outside of state educational institutions. When teachers can photocopy textbooks for their classes, sharply reducing royalty payments to writers, fewer will write and the charges to those who have to pay inevitably will escalate. [8]

III. The Copyright Act Meets The Test of *Atascadero*, And Is Explicit Enough To Show That Congress Intended The States To Be Subject To Copyright Infringement Suits.

The Constitution authorizes Congress to enact laws to secure "for limited times to authors and inventors the exclusive right to their respective writings and discoveries." U.S. Const., art. I, § 8, cl. 8. The Copyright Act, as amended, was enacted pursuant to this authority, and it grants to "authors" substantially "exclusive" copyright protection in original works of authorship, subject to specific and narrow exemptions or compulsory licenses.

The Copyright Act of 1976 expressly allows suit against "anyone," [9] it authorizes narrow exemptions to infringement only for certain limited state activities, and imposes proce-

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[8] The likely effect of the Ninth Circuit's holding on textbook publishers and authors is described in the amici curiae brief filed by the Association of American Publishers, Inc. and the Association of American University Presses, Inc. in support of the petition for writ of certiorari from the Fourth Circuit decision of *Richard Anderson Photography v. Brown* [No. 88-651], 852 F.2d 114 (4th Cir. 1988).

[9] Actions for infringement of statutory copyright lie exclusively within the jurisdiction of the federal courts. 28 U.S.C. § 1338(a). By contrast, a suit which alleges a violation of a provision of the federal Lanham Trademark Act is not necessarily exclusive of the state courts and may be pursued in either federal or state court. 28 U.S.C. § 1338(a) and 15 U.S.C. § 1121.

dures for suits against the government, [10] which when taken together prove the breadth of the rule as extending over states.

We are not dealing with some recently developed industry. The Motion picture industry is older than the Copyright Act of 1909, and it and the Congress have functioned throughout the 20th century on the assumption that films are copyrighted and that infringement is subject to suit. An illustration recognizing state copyright obligations is 17 U.S.C. § 110(6), wherein certain performances of nondramatic musical works are exempt if performed "by a governmental body or nonprofit agricultural or horticultural organization, in the course of an annual . . . fair or exhibition." [11]

As another example, certain performances of copyrighted works for teaching purposes are exempt. 17 U.S.C. §§ 110(1) and (2). More specifically, a "governmental body" is authorized to make no more than 30 copies of a transmission program, if no further copies are reproduced from those 30 copies, if the 30 are destroyed within seven years, and if the display is a regular part of "the systematic instructional activities of a governmental body" used for teaching purposes in classrooms. 17 U.S.C. §§ 112(b); 110(2).

With respect to transmissions by public broadcasting entities, a "governmental body" may make reproductions of such transmissions for use in connection with classroom teaching activities, provided the reproductions are destroyed not later

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[10] Actions against the United States government for copyright infringement can be brought, but only in the United States Claims Court. 28 U.S.C. § 1498(b).

[11] This clause comes from the 1932 copyright revision; *see* Hearings, General Revision of the Copyright Law, 72nd Cong., 1st Sess., on H.R. 10976, Mar. 21, 24, 25 (1932), p. 33: Statement by Milton Danzinger — Chairman, Government Relations Committee, International Association of Fairs and Expositions, Washington, D.C., regarding the exemption for agricultural fairs. "These non-profit institutions (agricultural fairs) are either State, county, or municipally owned or operated by public charter for the advancement of agriculture and the allied arts. These institutions are not operated for profit."

than seven days after the transmission which was the subject of the reproduction. 17 U.S.C. § 118(d)(3).

Even more specifically applicable to states, the Copyright Act provides that unauthorized importation of copyrighted works is actionable, except when imported under the authority or for the use "of any State or political subdivision of a State" for archival use, but not including copies "for use in schools." 17 U.S.C. § 602(a). *See also* 17 U.S.C. § 601(b)(3) which expired in 1986, prohibiting other importation of copyrighted materials by "any state or political subdivision of a State." Surely such detailed exemptions for certain conduct that would otherwise constitute copyright infringement manifests the intention of Congress to hold states accountable under the copyright laws for all other conduct that did not fall within these exemptions.

The specific, limited exemptions set forth in the Copyright Act would be superfluous and nonsensical if the "State or political subdivision of a State" was not otherwise subject to liability. *Patsy v. Board of Regents*, 457 U.S. 496, 512, 102 S. Ct. 2557, 73 L. Ed. 2d 172 (1982). Interpreted together, as required of all statutes, the Copyright Act language is unequivocal and specific in binding states. The Copyright Office expressly agrees with this interpretation. [12]

IV. Congressional And Bankruptcy Aspects Of This Petition.

A. Congressional Amendment.

We realize that, if need be, Congress can take this subject up anew. In view of the pressing nature of the problem created by the decision, Congress should have some clear expression from this Court of what will be required of it to avoid state copyright piracy. The matter is too important for floundering or guesswork on the Hill.

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[12] *See* Copyright Liability of States and the Eleventh Amendment, a report of the Copyright Office to the Judiciary Committee, House of Representatives, at 102 (1988).

B. Consideration Of The Copyright Act Will Be Useful In Pending Evaluation Of Comparable Provisions Of The Bankruptcy Code.

This Court recently accepted certiorari of *Hoffman v. Connecticut* [No. 88-412], 850 F.2d 50 (2d Cir. 1988). In doing so, this Court will address whether Section 106(c) of the Bankruptcy Code is sufficiently clear and specific to subject states to damage claims under federal bankruptcy law, abrogating their Eleventh Amendment immunity, in light of *Atascadero.* Determination of that issue should take into account the Ninth Circuit's and Fourth Circuit's holdings with respect to the Copyright Act. Otherwise, this Court's holdings in the *Hoffman v. Connecticut* case may have unintended and unconsidered consequences on future holdings addressing that comparable issue. Further, this case, like *United States v. Union Gas Co.,* 832 F.2d 1343 (3d Cir.), *cert. granted sub nom., Pennsylvania v. Union Gas Co.,* 108 S. Ct. 1219 (1988), concerns an article I empowerment to abrogate the later Eleventh Amendment, and should be considered with that case. The great question, not yet conclusively answered here, is the bearing of article I powers of Congress on the Eleventh Amendment. *Hoffman, Union Gas,* and this case by happy fortuity permit this Court to take up at once the article I question from a variety of perspectives; it would be regrettable to deal with this topic piecemeal.

CONCLUSION

It is respectfully submitted that certiorari should be granted in this case.

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By_____

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